

**EAST ST. TAMMANY EVENTS
CENTER DISTRICT
Slidell, Louisiana
June 30, 2005**

Audit of General Purpose Financial Statements

June 30, 2005

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-26-06

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Independent Auditor's Report

To the Commissioners of the
East St. Tammany Events Center District

We have audited the accompanying financial statements of the business-type activities of the East St. Tammany Events Center District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the general purpose financial statements referred to above, present fairly, in all material respects, the financial position of the business-type activities of the District as of June 30, 2005, and the respective changes in financial position and cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis as listed in the table of contents are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The accompanying information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



HIENZ & MACALUSO, L.L.C.
Metairie, LA

February 23, 2006



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of **EAST ST. TAMMANY EVENTS CENTER DISTRICT's, d/b/a NORTHSORE HARBOR CENTER**, (the District) annual financial report presents background information and management's analysis of the District's financial performance during the fiscal year that ended June 30, 2005. Please read it in conjunction with the financial statements in this report.

Financial Highlights

- The assets of the District exceeded its liabilities by \$9,683,171. Net assets increased approximately \$2,011,020 from June 30, 2004.
- During the year, the District's total operating revenues, which consists primarily of Hotel Occupancy Taxes, increased by approximately \$40,736 from the prior year. Non-operating revenues, which consist primarily of Ad Valorem Taxes and intergovernmental grants, increased \$1,207,237 over the prior year. The District had an increase in operating expenses of \$318,294.
- The District received funds from a new bond issue in the amount of \$5,000,000 during 2005 and decreased the principal balance of its General Obligation Bonds by \$595,000.
- The District received new funding in the amount of \$60,140 from the St. Tammany Tourism and Convention Commission during 2005 and recognized \$ 111,077 of revenue from grants deferred where funding was received in previous years.
- The District also received \$ 790,967 in additional funds from the State of Louisiana during 2005.

Required Financial Statements

- The Basic Financial Statements of the District report information about the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Statement of Net Assets includes all of the District's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Assets. This statement measures improvements in the District's operations over the past year and can be used to determine whether the District has been able to recover all of its costs through Hotel Occupancy Taxes and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations, investing and financing activities, and to provide answers to such questions as where did cash come from, what was cash used for and what was the change in cash balance during the reporting period.

Financial Analysis of the District

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the District's activities. These two statements report the net assets of the District and changes in them. Increases or decreases in the District's net assets are one indicator of whether its financial health is improving or deteriorating.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Net Assets

A Summary of the District's Statement of Net Assets Sheet is presented in Table 1 below:

TABLE 1
Condensed Statements of Net Assets
(In thousands)

	<u>June 30,</u>		<u>Dollar</u>	<u>Percentage</u>
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>Change</u>
Total Current Assets	\$ 3,860	\$ 1,832	\$ 2,028	110.69%
Capital Assets	18,688	10,530	8,158	77.47
Other Assets, Including Restricted				
Cash and Investments	<u>1,413</u>	<u>5,506</u>	<u>(4,093)</u>	<u>(74.34)</u>
Total Assets	<u>\$ 23,961</u>	<u>\$ 17,868</u>	<u>\$ 6,093</u>	<u>34.10%</u>
Current Liabilities	\$ 1,077	\$ 1,460	\$ (383)	(26.23)%
Long-Term Debt Outstanding and Other				
Liabilities Payable from Restricted				
Assets	<u>13,201</u>	<u>8,736</u>	<u>4,465</u>	<u>51.11</u>
Total Liabilities	<u>14,278</u>	<u>10,196</u>	<u>4,082</u>	<u>40.04</u>
Net Assets	<u>9,683</u>	<u>7,672</u>	<u>2,011</u>	<u>26.21</u>
Total Liabilities and Net Assets	<u>\$ 23,961</u>	<u>\$ 17,868</u>	<u>\$ 6,093</u>	<u>34.10%</u>

As can be seen in Table 1, net assets increased by \$2,011,000 to \$9,683,000 in fiscal year 2005. The change in total net assets results primarily from the increase in capital assets (Property and Construction in Progress) less the net increase in Total Liabilities.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Summary of Revenue, Expenses and Changes in Net Assets

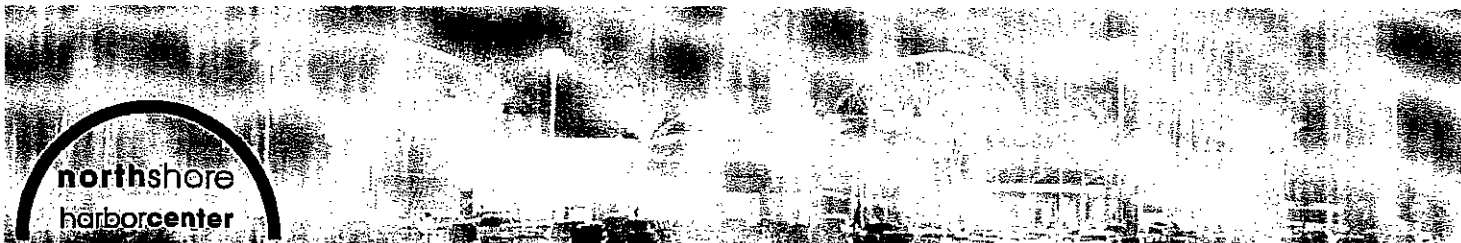
TABLE 2
Condensed Statements of Revenue, Expenses and Changes in Net Assets

	Year Ended June 30,	
	2005	2004
Hotel Occupancy Taxes	\$ 206,077	\$ 209,917
Other general revenues	44,576	0
Total Operating Revenue	250,653	209,917
Salaries and Wages	163,857	66,500
Insurance	44,062	32,209
Expenses incurred with St. Tammany Parish Tourist And Convention Commission Grants	38,745	21,193
Accounting	19,624	15,900
Communication Expenses (Telephone, Internet, etc.)	15,198	15,678
Other Professional Services	38,535	10,770
Auto Expense	6,300	5,775
Gala/Grand Opening	67,868	0
Office Supplies	33,103	2,218
Other Operating Expenses	88,877	27,632
Total Operating Expenses	516,169	197,875
Income from Operations	(265,516)	12,042
Non-operating Revenues	2,276,536	1,069,299
Increase in Net Assets	2,011,020	1,081,341
Net Assets – Beginning of Year	7,672,151	6,590,810
Net Assets – End of Year	\$ 9,683,171	\$ 7,672,151

Sources of Revenue

Operating Revenue

Operating revenues consist primarily of Hotel Occupancy Taxes collected within Wards 8 and 9 of St. Tammany Parish. Hotel Occupancy Taxes have served as the primary operating revenue for the District since its inception. These taxes are remitted to the St. Tammany Parish Sheriff's Office, who serves as tax collector for St. Tammany Parish. The Sheriff then remits the funds collected to the District.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Non-Operating Revenue

Non-operating revenues consist primarily of Ad Valorem taxes assessed on properties located within Wards 8 and 9 of St. Tammany Parish. Ad Valorem taxes are normally levied in November and billed to the property owner in December. St. Tammany Parish Sheriff's Office collects and remits the Ad Valorem taxes for the District. The increase in Ad Valorem Tax revenue is considered to be a result of increases in assessed values of properties within the taxing district.

Other significant non-operating revenue consists of revenue recognized on grants received from the St. Tammany Parish Tourist and Convention Commission and other governmental agencies. Grant revenue is recognized as expenditures allowable under the grants are incurred. The notes to the financial statements provide details as to the purpose and amount of funding associated with the various grants issued to the District by the St. Tammany Parish Tourist and Convention Commission.

Operating and Financial Performance

The following summarizes the District's Statements of Revenue, Expenses and Changes in Net Assets between 2004 and 2005:

Total Operating Revenues, derived from Hotel Occupancy Taxes and other general revenues, increased by \$40,736, or 19.41%, over the prior fiscal year. Total operating expenses increased by \$318,294, or 160.86%, over the prior fiscal year. The increase in operating expenses is due primarily to the recognition of the salary and benefits of the District's employees and other expenses related to moving in the new facility.

In addition to these costs, the Center has incurred costs associated with the general manager's efforts to promote the Events Center to residents and to local and non-local businesses.

Non-Operating Revenues and Expenses

As discussed previously, non-operating revenues consist primarily of Ad Valorem taxes and revenues recognized on grants received from the St. Tammany Parish Tourist and Convention Commission. Other non-operating revenue consists of interest income, generated primarily from the District's investment of excess cash in the Louisiana Asset Management Pool (LAMP). The District also receives grants from intergovernmental agencies – this amount increased by \$ 934,987 from 2004 to 2005.



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Assets

The District's capital asset activities are reflected in Table 3 below:

TABLE 3
Capital Assets
(In Thousands)

	June 30		Dollar	Percentage
	2005	2004	Change	Change
Land	\$ 2,188	\$ 2,188	\$ -	0.00%
Construction in Progress	16,182	8,336	7,846	94.12
Furniture and Fixtures	39	0	39	100.00
Facility Equipment	279	6	273	455.0
Total Property, Plant and Equipment	<u>\$ 18,688</u>	<u>\$ 10,530</u>	<u>\$ 8,158</u>	<u>77.47%</u>

Total property, plant and equipment increased as the District continued the construction of the Events Center. During the fiscal year ended June 30, 2004 and 2005, the District entered into contracts with the various contractors for the Events Centre. The total contracts were in excess of \$11.1 million, and at June 30, 2005, the District had recognized approximately \$9.46 million of construction costs, which is included in Construction in Progress.

No depreciation expense has been recognized on capital assets as the assets have not been placed into service as of June 30, 2005.

Long-Term Debt

At June 30, 2005, the District had \$13,005,000 of General Obligations Bonds outstanding. The District received funds from a new bond issue during 2005 in the amount of \$5,000,000 and made principal payments in the amount of \$595,000 during the year. More detailed information about the District's long-term debt is presented in the notes to basic financial statements.

Economic Factors and next year's budget

The District's management and Board of Directors continuously monitor the area's economic condition and factors impacting it. The District faces new challenges as a result of Hurricane's Katrina and Rita and the vast devastation those storms brought to the area.

Contacting the District's Financial Manager

This financial report is designed to provide our citizens, customers and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Ms. Kerry Painter, General Manager, 985-781-3650.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF NET ASSETS
JUNE 30, 2005

ASSETS

CURRENT ASSETS

Cash	\$ 2,953,631
Investments	791,111
Hotel Occupancy Tax Receivable	37,086
Prepaid Insurance	<u>77,536</u>

Total Current Assets	<u>3,859,364</u>
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RESTRICTED ASSETS

Cash - Sinking Fund	1,226,320
Investments	5,876
Ad Valorem Tax Receivable	<u>40,961</u>

Total Restricted Assets	<u>1,273,157</u>
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BOND ISSUANCE COSTS, Net

<u>139,863</u>

PROPERTY, PLANT, AND EQUIPMENT

Land	2,188,430
Facility equipment	279,164
Furniture and fixtures	38,522
Construction in Progress	<u>16,182,240</u>

Total Property, Plant, and Equipment	<u>18,688,356</u>
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Total Assets	<u>\$ 23,960,740</u>
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The accompanying notes are an integral part of these financial statements.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF NET ASSETS
JUNE 30, 2005

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	
Design and Construction	\$ 207,537
Accrued Liabilities	622
Facility deposits	4,600
Retainage Payable	466,922
Unearned Revenue - Intergovernmental Operating Grants	<u>397,027</u>
 Total Current Liabilities	 <u>1,076,708</u>

PAYABLE FROM RESTRICTED ASSETS

Accrued Interest Payable	195,861
Current Portion of General Obligations Bonds Payable	<u>615,000</u>
 Total Liabilities Payable from Restricted Assets	 <u>810,861</u>

LONG-TERM LIABILITIES

General Obligation Bonds Payable	<u>12,390,000</u>
 Total Liabilities	 <u>14,277,569</u>

NET ASSETS

Invested in capital assets, net of related debt	5,683,356
Temporarily restricted net assets:	
Restricted for re-payment of bond issue and future construction costs	1,077,296
Unrestricted	<u>2,922,519</u>
 Total Net Assets	 <u>\$ 9,683,171</u>

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the year ended June 30, 2005

OPERATING REVENUES

Hotel Occupancy Taxes	\$ 206,077
Facilities rental	3,716
Billboard cost sharing	5,350
Contributions	24,636
Advertising	10,874
Total Operating Revenues	<u>250,653</u>

OPERATING EXPENSES

Salaries and Wages	163,857
Insurance	44,062
St. Tammany Parish Tourist and Convention Commission Grants:	
Feasability study, meetings, advertising and purchase of facility equipment	38,745
Accounting	19,624
Advertising	28,872
Communication	15,198
Office supplies	33,103
Legal and other Professional Services	38,535
Utilities	4,816
Payroll Tax	15,675
Retirement	3,031
Auto	6,300
Miscellaneous	2,788
Employee Insurance	13,005
Training and Conferences	2,110
Dues and Subscriptions	3,920
Travel	5,475
Postage	1,221
Gala/Grand Opening	67,868
Rentals	4,842
Storage	1,755
Meals and Entertainment	474
Bond Service Fees	893
Total Operating Expenses	<u>516,169</u>

INCOME (LOSS) FROM OPERATIONS	<u>(265,516)</u>
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The accompanying notes are an integral part of these financial statements.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
For the year ended June 30, 2005

NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental Grants	962,184
Ad Valorem Taxes	1,288,135
Interest Income	30,735
Other	3,513
Bond Issuance Expense	<u>(8,031)</u>
Total Non-Operating Revenues	<u>2,276,536</u>
INCREASE IN NET ASSETS	2,011,020
NET ASSETS - BEGINNING OF PERIOD	<u>7,672,151</u>
NET ASSETS - END OF PERIOD	<u>\$ 9,683,171</u>

The accompanying notes are an integral part of these financial statements.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF CASH FLOWS
For the year ended June 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from Hotel Occupancy Taxes	\$ 203,580
Cash received from general revenues	\$ 49,176
Cash paid for Salaries and Related Benefits	(202,963)
Cash payments for Operating Expenses and Administrative Expenses	<u>(375,255)</u>
Net Cash Provided by Operating Activities	<u>(325,462)</u>

**CASH FLOWS FROM CAPITAL AND RELATED
FINANCING ACTIVITIES:**

Cash received from Ad Valorem taxes	1,269,011
Cash received from intergovernmental grants and other	859,803
Principal payments on Bonds Payable	(595,000)
Cash received from new bond issue	5,000,000
Payments for Bond Issuance Costs	(46,112)
Payments for purchases of furniture, fixtures and equipment	(311,682)
Payments for Design and Construction of Events Center	(7,571,208)
Payments for Bond Interest Recognized in Construction in Progress	(534,466)
Interest Received from Investments Applied Against Capitalized Interest Cost	<u>38,183</u>
Net Cash Used by Investing Activities	<u>(1,891,471)</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from Maturity of Investment Securities	4,107,408
Proceeds from Sale of Securities	450,000
Interest re-invested	<u>10,060</u>
Net Cash Provided by Investing Activities	<u>4,567,468</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 2,350,535

CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR 1,829,416

CASH AND CASH EQUIVALENTS - END OF YEAR \$ 4,179,951

The accompanying notes are an integral part of these financial statements.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
STATEMENT OF CASH FLOWS (Continued)
For the year ended June 30, 2005

**RECONCILIATION OF INCOME FROM OPERATIONS TO
NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ (265,516)
Adjustments to Reconcile Income from Operations to Net Cash Provided by Operating Activities	
(Increase) in Hotel Occupancy Tax Receivable	(2,497)
(Increase) in Prepaid Expenses	(60,954)
Increase in Accrued Liabilities and facility rental deposits	<u>3,505</u>
Net Cash Provided by Operating Activities	<u>\$ (325,462)</u>

**RECONCILIATION OF TOTAL CASH AND CASH
EQUIVALENTS**

Current Assets	\$ 2,953,631
Restricted Assets	<u>1,226,320</u>
Total Cash and Cash Equivalents	<u>\$ 4,179,951</u>

NONCASH INVESTING AND FINANCING ACTIVITIES

Interest Earned from LAMP Netted Against Capitalized Interest Cost	<u>\$ 182</u>
Interest Earned and re-invested in LAMP Operating account	<u>\$ 20,492</u>

The accompanying notes are an integral part of these financial statements.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In June 1999, the Governmental Accounting Standards Board (GASB) approved Statement No. 34, "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*". The implementation of this statement has created additional statements, schedules, reports, and note disclosures as follows:

- A Management Discussion and Analysis (MD&A) section providing an analysis of the overall *financial position and results of operations*.
- Financial Statements are prepared using the full accrual accounting method for all activities.

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements). The **EAST ST. TAMMANY EVENTS CENTER DISTRICT** (the District) implemented the Statement as of July 1, 2003. The District's significant accounting policies are explained in the following note disclosures:

BASIS OF PRESENTATION

The financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to government units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Pursuant to Governmental Accounting Standards Board Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989 that do not conflict or contradict GASB pronouncements.

BASIS OF ACCOUNTING

The District utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Revenues are recorded when they are earned, and expenses are recorded at the time liabilities are incurred. Substantially all revenues and expenses are subject to accrual.

REPORTING ENTITY

The District was created by Act 685 of the 1986 Regular Session of the Louisiana Legislature. However, the District did not become active until December 1997. As such, the date of December 1, 1997 has been utilized as the inception date.

The District consists of the entire area within Wards 8 and 9 of St. Tammany Parish, and is generally authorized to acquire, construct, develop, maintain and operate an Events Center and the programs and events undertaken therein.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The control and management of the affairs of the District are vested in a Board of Commissioners (the Board). The Board consists of 13 members, all of whom must be qualified voters of Wards 8 and 9 of St. Tammany Parish. The Board is appointed by the following entities and individuals:

<u>Entity/Individual</u>	<u>Number of Appointments</u>
Mayor of the City of Slidell	1
City Council of the City of Slidell	3
Board of Alderman of the Town of Pearl River	1
St. Tammany Parish Government	2
Greater Slidell Area Chamber of Commerce, Inc.	2
State Representative for District 90	1
State Representative for District 76	1
State Representative for District 74	1
State Senator for District 11	1

No elected public official is eligible for appointment to the Board, and members of the Board serve without compensation.

CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and money market accounts. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

INVESTMENTS

Investments include the District's investment in United States Treasury bills and notes and its investment balance with the Louisiana Asset Management Pool, Inc. (LAMP), a State sponsored external investment pool.

Under Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, issued by the Governmental Accounting Standards Board, United States Treasury obligations with a remaining maturity at time of purchase of one year or less may be reported at amortized cost. As such, the District's investment in United States Treasury bills and notes are stated at amortized cost since these investments have maturities of less than one year.

BOND ISSUANCE COSTS

Bond issuance costs associated with the General Obligations Bonds issued by the District have been accounted for as a deferred charge (an asset) and are amortized over the life of the bonds.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are recorded at cost or, if contributed property, at their fair market value at the time of the contribution.

Construction in Progress consists of costs associated with the design and construction of the events center. In addition, interest costs for the construction of the events center, net of interest earned on interest-bearing investments acquired with the proceeds of the bond issuance, has been capitalized. For the year ended June 30, 2005, total interest cost incurred was \$534,466, all of which was capitalized. This amount is offset by the amount of interest earned on the temporary investment of bond proceeds. Interest earned and netted against capitalized interest cost amounted to \$ 38,365 for the year ended June 30, 2005.

The District's policy is to capitalize assets purchased in the amount \$ 1,000 or more. There were no assets placed in service during 2005 and accordingly depreciation expense for the year ended June 30, 2005 was \$ 0.

AD VALOREM TAXES

Ad Valorem taxes are normally levied in November and billed in December. These taxes are due in January of the following year. The St. Tammany Parish Sheriff's Department bills and collects the Ad Valorem taxes for the District.

UNEARNED REVENUE - INTERGOVERNMENTAL OPERATING GRANTS

Unearned revenue consists of unspent funds pertaining to operating grants issued to the District by the St. Tammany Parish Tourist and Convention Commission. The grants outstanding at June 30, 2005 consist of the following:

- A \$150,000 grant to be used for marketing the Events Center and for costs associated with the search for the events center executive director. As of June 30, 2005, the District has incurred and expended \$80,812 of allowable costs.
- A \$105,625 grant to be used for signage associated with the Events Center. As of June 30, 2005, the District incurred and expended \$15,146 of allowable costs.
- A \$200,000 grant to be used for audio and visual equipment for the Events Center. As of June 30, 2005, the District has incurred and expended \$49,150 of allowable costs.
- A \$100,000 grant to be used for kitchen and sports equipment for the Events Center. As of June 30, 2005, the District has incurred and expended \$18,490 of allowable costs.

The total expended during 2005 was \$ 111,077, which was recognized as intergovernmental grant revenue.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NET ASSETS

Net assets are comprised of the various net earnings from operations, non-operating revenues, expenses, and contributions of capital. Net assets are classified in the following three components:

Invested in capital assets, net of related debt – Consists of all capital assets, net of accumulated depreciation and reduced by outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted – Consists of external constraints placed on net assets used by creditors, grantors, contributors, or laws or regulations of the government or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets – Consists of all other assets that are not included in the other categories previously mentioned.

RESRICTED ASSETS

Restricted assets, as presented in the financial statements, represent an accumulation of funds from bond proceeds, ad-valorem taxes received and investment earnings that is restricted for re-payment of the bond issue or future construction costs.

OPERATING REVENUES

The District identifies operating revenues as those revenues received from Hotel Occupancy taxes. These revenues are available to pay the general operating expenses of the District.

NOTE B

CASH AND CASH EQUIVALENTS

At June 30, 2004, the District has cash and cash equivalents (book balances) totaling \$ 1,829,416 as follows:

Demand Deposits	\$ 1,000,000
Interest-Bearing Demand Deposits	<u>3,179,951</u>
Total Deposits	<u>\$ 4,179,951</u>

At June 30, 2005, the bank balance of deposits with financial institutions totaled \$4,222,960. This balance is entirely insured and collateralized by securities held by the District's agent in the District's name.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE C

INVESTMENTS

All securities held at June 30, 2005 are held in the trust department of a custodial bank selected by the District. Because the securities are in the name of the District and are held by its agent, the securities are considered insured and registered, Category 1, in applying the credit risk of GASB Codification Section 150.164.

At June 30, 2005, the District's investments, as referenced in Note A, are comprised of:

Government Pool:

LAMP - Restricted	5,876
LAMP - Unrestricted	<u>791,111</u>
Total Government Pool	<u>796,987</u>
Total Investments	<u>\$ 796,987</u>

Government Pool investments as of June 30, 2005 are invested in LAMP, a local government investment pool, and are stated at fair value. The investment in LAMP at June 30, 2005, is not categorized in the three risk categories provided by GASB Codification Section 150.164 because the investment is in the pool of funds and therefore not evidenced by securities that exist in physical or book entry form. LAMP is administered by LAMP, Inc., which is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana Certified Public Accountants. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments.

The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

NOTE D

BONDS PAYABLE

Bonds Payable at June 30, 2005 consist of two bond issues. The first is \$8,600,000 of General Obligation Bonds (the Bonds), Series 1999. The proceeds from the Bonds are to be used for the construction of the Events Center. Interest ranging from 4% to 7%, is payable semi-annually on March 1 and September 1 of each year through 2019.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE D

BONDS PAYABLE (Continued)

On August 1, 2004 the District issued \$ 5,000,000 of General Obligation Bonds, Series 2004, due between March 1, 2005 and March 1, 2024. The proceeds of the bonds are being used to finance the second phase of the Events Center. Phase II includes the addition of three meeting rooms, a recital hall, a lobby and a lounge. This expansion will increase the area of the building from 30,000 square feet to approximately 35,000 square feet.

Interest ranging from 3.75% to 5%, is payable semi-annually on March 1 and September 1 of each year through 2024.

A summary of changes in long-term liabilities follows:

	June 30, 2004	Additions	Deletions	Adjustments	June 30, 2005	Amounts due within one year
Bonds Payable	\$ 8,600,000	5,000,000	\$ (595,000)	\$ -	\$ 13,005,000	\$ 615,000
	<u>\$ 8,600,000</u>	<u>\$ 5,000,000</u>	<u>(595,000)</u>	<u>\$ -</u>	<u>\$ 13,005,000</u>	<u>\$ 615,000</u>

Scheduled debt service payments, including interest, on the Bonds (Series 1999) are as follows:

	Principal	Interest	Total
2006	\$ 415,000	\$ 379,740	\$ 794,740
2007	435,000	350,690	785,690
2008	460,000	320,240	780,240
2009	480,000	288,040	768,040
2010	505,000	256,600	761,600
2011-2015	2,955,000	957,200	3,912,200
2016-2019	2,955,000	302,800	3,257,800
	<u>\$ 8,205,000</u>	<u>\$ 2,855,310</u>	<u>\$ 11,060,310</u>

Scheduled debt service payments, including interest, on the Bonds (Series 2004) are as follows:

	Principal	Interest	Total
2006	\$ 200,000	\$ 216,922	\$ 416,922
2007	200,000	197,845	397,845
2008	200,000	187,845	387,845
2009	200,000	177,845	377,845
2010	200,000	167,845	367,845
2011-2015	1,115,000	702,829	1,817,829
2016-2020	1,405,000	458,660	1,863,660
2021-2024	1,280,000	147,672	1,427,672
	<u>\$ 4,800,000</u>	<u>\$ 2,257,463</u>	<u>\$ 7,057,463</u>

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE D

BONDS PAYABLE (Continued)

Total debt service requirements including interest, on the Series 1999 bonds and the Series 2004 bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 615,000	\$ 596,662	\$ 1,211,662
2007	635,000	548,535	1,183,535
2008	660,000	508,085	1,168,085
2009	680,000	465,885	1,145,885
2010	705,000	424,445	1,129,445
2011-2015	4,070,000	1,660,029	5,730,029
2016-2020	4,360,000	761,460	5,121,460
2021-2024	<u>1,280,000</u>	<u>147,672</u>	<u>1,427,672</u>
	<u>\$ 13,005,000</u>	<u>\$ 5,112,773</u>	<u>\$ 18,117,773</u>

During 1999, the Board approved an Ad Valorem tax of five mills to provide for the debt service of the Bonds. This millage is renewable annually through a resolution by the Commissioners.

In accordance with the Bond Agreements, the District has established a separate cash account (the Sinking Fund) into which the District deposits the proceeds from the collections of the Ad Valorem tax. Funds are transferred from the Sinking Fund to the paying agent for the payment of principal and interest.

In accordance with the Revised Statutes of the State of Louisiana, aggregate debt payable solely from Ad Valorem taxes shall not exceed 10% of the total assessed valuation of taxable property. As of June 30, 2005, the District was in compliance with these statutes.

NOTE E

COMMITMENTS AND CONTINGENCIES

On May 10, 2002 the District entered into a contract for construction of the Events Center. During the year ended June 30, 2004, the District began construction of the Events Center. The total amount of the contract is \$ 7,360,000 with net change orders approved in the amount of \$ 828,023 for a total approved contract in the amount of \$ 8,188,023. The amount expended through June 30, 2005 totals \$ 7,593,548 (including retainage payable at 5% in the amount of \$ 379,677), with a remaining commitment of \$ 974,152 (including retainage).

During 2005 the District entered in to three additional contracts for construction at the Events Center. The three contracts totaled \$ 2,838,840 with approved change orders in the amount of \$ 144,500 for a total of \$ 2,983,340. The amount expended through June 30, 2005 totals \$ 1,862,728 (including retainage payable in the amount of \$ 87,245), with a remaining commitment of \$ 1,207,857 (including retainage).

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE F

RISK OF LOSS

The District is exposed to various risks of loss related to damage and destruction of assets, and errors and omissions of the Board. Commercial Insurance has been obtained to cover these risks.

NOTE G

DEFERRED COMPENSATION PLAN

During 2004 the District adopted a deferred compensation plan for its employee. The plan follows Internal Revenue Service Code Section 457 (b) and is a defined contribution plan. The effective date of the plan is April 1, 2003. Participants may contribute through salary reduction up to the maximum allowed by the Internal Revenue Code. Employer contributions are permitted under the plan up to a 4% match of the participant's salary at the employer's discretion. Participant's are immediately vested in employee and employer contributions. Retirement expense for the year ended June 30, 2005 was \$ 3,031.

NOTE H

PROPERTY, PLANT & EQUIPMENT

The District's property, plant and equipment are listed below:

	July 1, 2004	Additions	Deletions	June 30, 2005
Land	\$ 2,188,430	\$ -	\$ -	\$ 2,188,430
Construction in progress	8,335,439	7,846,801	-	16,182,240
Furniture and fixtures	-	38,522	-	38,522
Facility equipment	6,004	273,160	-	279,164
	<u>\$ 10,529,873</u>	<u>\$ 8,158,483</u>	<u>\$ -</u>	<u>\$ 18,688,356</u>

There have been no assets placed in service and therefore no depreciation or accumulated depreciation has been recorded as of June 30, 2005.

NOTE I

TEMPORARILY RESTRICTED NET ASSETS

The District's temporarily restricted net assets represent an accumulation of funds from bond proceeds, ad-valorem taxes received and investment earnings less related liabilities that is restricted for re-payment of the bond issue or future construction costs.

NOTE J

SUBSEQUENT EVENT

On August 29, 2005 Hurricane Katrina impacted the city of Slidell resulting in significant flooding and hurricane damage. The District's building (which was still under construction) and some equipment suffered damages. The District's management is negotiating with contractors, insurance companies and federal government agencies to recover these damages. However, as of the date of this report it is not clear how much the District will recover. Also, it is uncertain whether a material write-down of assets will be required.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
Slidell, Louisiana
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE K

LEASE AGREEMENT

The District has one operating lease for a copy machine. The lease began March 3, 2005 and has a 48 month term. Payments under the lease are \$ 265.27 per month. Total lease expense for 2005 was \$ 4,171. Future minimum payments under this lease are \$ 3,183.24 for 2006, 2007, 2008 and for the year ending June 30, 2009 \$ 2,122.16.

NOTE L

STATE OF LOUISIANA

The District received funding from the State of Louisiana during 2005. Capital outlay funding was received and expended prior to year end in the amount of \$ 690,967. The District also received \$ 100,000 which was expended on the Events Center facility, as well.

EAST ST. TAMMANY EVENTS CENTER DISTRICT
 Slidell, Louisiana
 SUPPLEMENTARY INFORMATION
 SCHEDULE OF FUNDING PROVIDED BY
 ST. TAMMANY PARISH TOURIST AND COVENTION COMMISSION
 For the Year Ended June 30, 2005

	Resolution Number				Total
	090799	2000-425-01	052901	1008-0203-01	
FUNDS AVAILABLE AT JULY 1, 2004	<u>\$ 105,324</u>	<u>\$ 105,625</u>	<u>\$ 198,159</u>	<u>\$ 93,996</u>	<u>\$ 503,104</u>
FUNDS RECEIVED DURING YEAR	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
FUNDS UTILIZED DURING YEAR					
Gala expenses/grand opening	8,659	-	-	-	8,659
Construction in progress		13,798	41,515		
Facility equipment		-	4,533	12,486	17,019
Dues and memberships	250				
Travel	19				
Advertising, meetings and supplies	<u>27,208</u>	<u>1,348</u>	<u>1,261</u>	<u>-</u>	<u>29,817</u>
Total Funds Utilized	<u>36,136</u>	<u>15,146</u>	<u>47,309</u>	<u>12,486</u>	<u>111,077</u>
FUNDS AVAILABLE AT JUNE 30, 2005	<u>\$ 74,188</u>	<u>\$ 90,479</u>	<u>\$ 150,850</u>	<u>\$ 81,510</u>	<u>\$ 397,027</u>



ROBERT W. HIENZ, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Commissioners of the
East St. Tammany Events Center District

We have audited the financial statements of the business-type activities of the East St. Tammany Events Center District (the District), as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the East St. Tammany Events Center District and its management, federal and state awarding agencies and pass-through entities and the Legislative Auditor of Louisiana and is not intended to be, and should not be, anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink that reads "Hienz & Macaluso, LLC". The signature is written in a cursive, flowing style.

HIENZ & MACALUSO, L.L.C.
Metairie, LA

February 23, 2006

**EAST ST. TAMMANY EVENTS CENTER DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005**

We have audited the financial statements of East St. Tammany Events Center District as of and for the year ended June 30, 2005, and have issued our report thereon dated February 23, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits outlined in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Louisiana Governmental Auditing Guide. Our audit of the basic financial statements as of June 30, 2005 resulted in an unqualified opinion.

Section I – Summary of Auditor's Results:

- a. Report on Internal Control and Compliance Material to the Financial Statements
Internal Control
Material Weakness ___ Yes X No Reportable Conditions ___ Yes X No

Compliance
Compliance Material to Financial Statements ___ Yes X No
- b. Federal awards – Not applicable

Section II – Financial Statement Findings and Questioned Costs:

There were no financial statement findings for the year ended June 30, 2005.

Section III – Federal Award Findings and Questioned Costs:

Not applicable.

Section IV – Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2005.

**EAST ST. TAMMANY EVENTS CENTER DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2005**

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no prior year findings.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable.

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2004.

**EAST ST. TAMMANY EVENTS CENTER DISTRICT
MANAGEMENT'S CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2005**

Section I – Internal Control and Compliance Material to the Financial Statements:

There were no prior year findings.

Section II – Internal Control and Compliance Material to Federal Awards:

Not applicable

Section III - Management Letter:

A management letter was not issued in connection with the audit for the year ended June 30, 2005 or 2004.